

[Review] Chris Hunt and Carolyn Fowler (2009) Management accounting: strategic decision making, performance and risk

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Book Review of 'Management Accounting: Strategic Decision Making, Performance and Risk', Chris Hunt and Carolyn Fowler, Pearson: Rosedale, North Shore, New Zealand, 2009

The state of a subject is often reflected in its textbooks. Textbooks on the minutia of costing were gradually superseded by Horngren's management accounting textbook in the early 1960s. For several decades thereafter new competitors' offerings were largely clones of this – sometimes their major innovation appeared little other than changing the order of chapters. Nevertheless, such textbooks retained a practitioner orientation and paid only lip service to academic research. More recently new textbooks have blossomed, partly to incorporate new forms of manufacturing, the burgeoning of 'new' methods such as ABC/M and BSC widely propagated by consultants. Several seek to frame these factors in a coherent theoretical framework, be it agency theory or critical theory or whatever, and incorporate academic findings, albeit often very selectively. The progress of textbooks mark occupational repositioning attempts by once humble cost clerks to higher status management accounting roles and thence an allegedly emergent position of strategic or business analyst.

This new textbook falls into the latter contemporary category. Its opening chapter describes how subsequent topics are framed within an explicit theoretical framework. This adopts a contingency approach that presumes uncertain environmental factors govern control system design to meet demands of multiple stakeholders. The challenge is choosing an appropriate strategy consistent with organisational goals and risk tolerances, and to design controls accordingly throughout the organisation's value chain. The textbook's content assumes that generic strategies; à la Miles and Snow, and Porter; delineate the major strategic options, and drivers along Porter's delineation of a value chain should shape operational strategies and controls.

The second chapter elaborates how risk and strategy are inter-related and vital, and how strategic cost management and strategic management accounting can help attain these broader ends. The latter entails value chain analysis, product life cycle costing, and ABC. The third chapter shows how traditional cost accounting tools, especially short-term relevant costs, linear programming and DCF can be modelled in risk adjusted decision trees representing strategic options. The fourth chapter turns to employee considerations, especially human resource strategies on matters like training, succession, innovation and change management, and rewards. The fifth chapter dwells on organisation structure issues, especially centralisation or decentralisation and the pertinence of transfer pricing methods (including taxation issues) for the latter. The sixth chapter extensively analyses customer accounting with respect to customer orientation and strategic positioning, customer profitability and value, and their relation to risk. Chapter seven turns to suppliers or more accurately the organisation's interface with them. Following an exposition of traditional inventory control methods, the effects of computerised systems such as MRP and the growth of JIT on supplier relations are explored. Chapter eight continues the theme of contemporary innovations and examines the consequences of total quality management and business process engineering upon controls. Chapter nine is a welcome innovation as it discusses the costing implications of environmental/ecological

issues including carbon trading. Chapter ten examines performance measurement with respect to benchmarking but especially balanced scorecards, which is taken as a template of best practice. This is followed in chapter eleven by measurements of organisational value with a heavy emphasis on residual income and EVA. The book terminates somewhat oddly and abruptly with an appendix on ABC.

The merits of the text are its attempts to place contemporary cost accounting issues within a coherent holistic framework. For those that seek a top down linear approach that seeks to link controls across organisational interfaces with important constituents, and to link them to strategies and operations then this book offers much. Practical illustrations are plentiful and informative. It is well referenced throughout and acknowledges some academic reservations on several topics. More sceptical readers may quibble with its equation of risk with uncertainty, its implicit managerial orientation, and its acceptance of new techniques such as ABC and BSC as state of the art methods. However, it deserves respect for its ambition and innovation. The depth of coverage of topics is variable, for example compressing operational controls with supplier issues may inadvertently neglect broader supplier management issues and still commonplace mass production systems. On the other hand the chapters are succinct and apposite contributions. Given the current range and diversity of what falls within management today it may be impossible for a single text to cover everything satisfactorily. Throughout the book is well-written and is accessible to the average student, though there are editing deficiencies which are partly picked up in a supplementary erratum. The failure to pick these up earlier may reflect many publishers' dereliction of sound copy-editing, which is sadly becoming commonplace today. The editing deficiencies and the lack of a concluding chapter suggest some final haste in preparation but no doubt future editions will rectify this. In addition it is understood that a teachers' guide and workbook will follow.

The authors do not specify their intended target but undergraduates taking second level management accounting courses would be an obvious audience. Given the book's emphasis on more advanced theories and methods an earlier grounding in basic costing would be advantageous. However, given the book covers some of the latter, albeit briefly, it would provide a challenging and interesting first course to masters and MBA students. As with virtually every textbook, instructors may wish to supplement the book with additional readings and case studies but the book provides useful material to facilitate this. The context of the book is Antipodean but its essential message and contents transcend regional considerations.

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